

23rd World Congress

Leadership & Quality of Governance

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THEME PAPER

Theme: The Challenge of Integrating Leadership & Quality of Governance for Sustainability

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The 23rd World Congress on Total Quality is being held in Bangalore at the beginning of February 2013. It provides an opportunity for directors to discuss the leadership required to sustain quality and excellence in an era of challenge and uncertainty. As markets open up and companies compete for customers and resources, efficiency, effectiveness and relevance have never been more important. Boards need to find new ways of enabling the people for whom they are responsible to cope and remain vital.

Whereas delegates at early congresses were concerned with techniques for improving the quality of largely standard physical products, the emphasis now is more upon relationships and processes for dealing with adaptation and change, as increasingly bespoke services evolve to meet new requirements. The quality of corporate leadership in dealing with change and uncertainty, and the extent to which directors and boards adopt flexible and affordable ways of coping is now a key differentiator.

Strategic investors - and those looking to build longer-term relationships - should look at the mindsets of directors of potential corporate partners as well as the technologies and other capabilities of these organisations. While other missing capabilities can often be obtained by acquisition or collaboration, deficiencies in the boardroom that are not addressed can condemn an organisation to stagnation, irrelevance and death.

Large companies with proud histories are not immune from the risk of decline and marginalisation. With the rules of the game for competing and winning changing, what one has done in the past can be much less important than what one is capable of doing in the future. While proud achievements can be portrayed in corporate museums, doing more of the same may not sustain success, or enable an organisation to remain current and cope with challenges or seize opportunities.

Building an effective board of competent directors who are alert to what is happening in the business environment and have the personal qualities to question and challenge, handle uncertainty, focus on what is important, articulate a compelling vision and select practical and affordable ways forward can give an organisation a head start (Coulson-Thomas, 2007a). The best directors are open to new ideas and willing to learn, and opportunities to exchange views with ones peers at events like the World Congress on Total Quality can be especially valuable.

What themes might emerge in Bangalore? Is 'quality' with its origins in the last century still relevant? In various activities the Institute of Directors has been relating quality to contemporary issues. Twenty years after the Cadbury Committee (1992) rekindled interest in corporate governance the IOD is much concerned with the conduct of directors and the quality of corporate boards and company direction.

Dr Ola Ullsten, as Chairman of the IOD's London Global Convention 2012, reminded delegates at Lords cricket ground that it was the fiftieth anniversary of *Silent Spring* by Rachel Carson (1962), the book that introduced many people to environmental issues. The IOD has stressed the importance of sustainability and the quality of life. In championing corporate social responsibility the Institute has endeavoured to make businesses more aware of opportunities to spread the benefits of development.

Aspects of quality such as efficiency and minimising adverse impacts are likely to become more important as rapid industrialisation in countries such as China threatens the availability of scarce resources and to increase global warming. Finding ways of getting greater output in terms of enjoyment and satisfaction from fewer inputs, and with less unpleasant side effects, create exciting opportunities for entrepreneurs.

Many corporate boards face tough choices and how they react will have a big impact upon the future of mankind. They could opt for milking the current business model for all that it is worth, and while the going is good, before legislators jump in to address the worst consequences. They could encourage a binge or 'last party', pumping out oil while stocks exist and goods before shortages of scarce minerals bite.

Alternatively they could consider 'legacy issues'. Behaving irresponsibly could cause a backlash if consumer and public opinion reacts against boards that act as if there is no tomorrow. Total quality could embrace the environment. Directors could think longer-term, show greater consideration and give more thought for future generations. They could also view some of the challenges that face mankind as opportunities to use corporate know-how and capabilities in more innovative and imaginative ways.

Boards can aim to forge deeper relationships with customers and offer services that would improve the quality of their lives. There are many ways in which private and public sector offerings can be individualised and differentiated to make them more relevant for each person, whether consumer, citizen or patient. It is a responsibility of boards to ensure that people have the processes and tools to responsibly bespoke, innovate and make sustainable choices (Coulson-Thomas, 2007a).

Will quality be democratised? Will what was once the preserve of factory managers become a concern of every citizen, as individually and collectively we strive to sustain a high quality of life and attainment, whether in diet, sport, music, the arts, other leisure activities and the built environment? Will we have to do more of these things ourselves and locally to live simpler, less stressful and more rewarding lives?

As a result of the division of labour, consolidation, centralisation and mass production many people lack basic skills for taking personal responsibility and coping with the fundamentals of life today. In my book *Shaping Things to Come* (2001) I argued that there are many opportunities for businesses to offer different lifestyle options and give people additional choices that would make them feel special and different.

Whatever paths they choose, boards must assemble or access relevant capabilities that are appropriate for their corporate visions. In each area of capability there may be quality considerations and issues to address. Thus in relation to the quality of human resources a board could pursue a traditional talent management strategy to recruit new skills, or provide the better support to an existing work force that will enable them to stay current and cope (Coulson-Thomas, 2012a).

In relation to many aspects of capability boards need to rethink what is meant by quality. Thus in relation to quality of knowledge, relevance and availability as and when required is increasingly important. There is little point paying for specialist know-how that cannot be quickly accessed when it is needed, so providing people with 24/7 support can be invaluable (Coulson-Thomas, 2012a and b).

Any business needs to understand what represents quality to its customers and track how this might change over time. Too many companies devote excessive effort to areas that do not make a difference from a customer perspective, while overlooking other activities that could have a tangible impact and differentiate. The latter areas - the differentiators - need to be sustained and kept relevant.

Some boards discuss issues such as sustainability mainly in terms of the challenges they present for their own company. Smarter boards recognise that their customers, suppliers, business partners and employees also face the same or similar issues and they consider what they can do to help these important categories of stakeholder to cope. Their responses can give rise to new business opportunities and ways of forging closer and mutually rewarding relationships (Coulson-Thomas, 2001 and 2007b).

Boards have opportunities to make quick and cost-effective impacts on the quality of the working life of employees that can lead to continuing and sustainable benefits over time for both people and organisations. For example, providing performance support that improves understanding, increases confidence, makes it easier for people to do

difficult jobs and enables more flexible ways of working can reduce stress and boost employee satisfaction as well as raising productivity, speeding up activities, reducing costs and ensuring compliance (Coulson-Thomas, 2007b, 2012a and b).

Quality of life could become an issue for more people if the current development path continues. In rapidly developing countries, will the satisfaction of owning the latest versions of disposable goods and relatively expensive assets like motor cars dim when people are increasingly poisoned by the air they breathe as a result of industrial pollution and traffic fumes? Providing support directly to customers and members of the public can help people to better understand the full implications of their purchase decisions and lead healthier and more sustainable lives (Coulson-Thomas, 2012b).

There are questions relating to the quality of growth to consider, such as its consequences and the extent to which development in its current form is sustainable. Societies controlled by strong central and interventionist Governments face particular challenges. For example, Chinese growth will require greater numbers of individual consumption decisions to replace planned central Government investments. As with India, spreading the proceeds of growth beyond urban elites and the middle class to the rural poor will create new mass market opportunities.

The challenge for a growing number of Governments will be to enable larger numbers of people to enjoy the benefits of progress, well-being and advancement without incurring and increasing the negative environmental impacts of the current lifestyles of the existing 'middle class'. If the planet is to cope, priorities, consumption patterns and lifestyles need to change. With enlightened political and corporate leadership the results could be positive and increase the well-being and contentment that can come from stepping off a treadmill.

In democracies, some people do not like the consequences of their consumption decisions when they vote with their pounds, dollars or rupees in the marketplace. However, they can attempt to take ameliorative or corrective action when they vote politically in the ballot box. Often people are schizophrenic. They want it both ways. They vote one way economically and another way politically.

Some boards are similarly schizophrenic, but without realising it. They set out on incompatible courses of action, for example by initiating various corporate programmes that get in the way of each other and cause complexity and confusion. Ideal directors reflect on the implications of their actions and consider the interconnectedness of board decisions. They look for simpler and more flexible approaches that can deliver more quickly, contribute to a number of sought after outcomes and be modified during implementation as circumstances change.

In relation to the quality of relationships, increasingly these need to be mutually beneficial. A key relationship is that between business and Government. Should business just concentrate upon what it does best, or should it engage with local and national politicians? As regards corporate social responsibility, should companies 'do their own thing', or should they collaborate with each other and relevant public bodies to collectively develop solutions to social problems that they could contribute to?

Boards should not be afraid to challenge fundamental assumptions, such as the traditional trade-offs of quality, time and cost. Generations of directors have been told that while it may be possible to improve the quality of an output, this is likely to take time and require extra costs. There are still situations in which such trade-offs apply, but I have endeavoured to show in recent reports (2012a and b) it is increasingly possible to side-step such choices and simultaneously deliver multiple benefits.

This brings us to the quality of thinking in boardrooms and the quality of decisions. Boards need to understand how to distinguish between traditional and expensive, protracted and disruptive approaches to transformation such as restructuring, re-engineering and endeavouring to change corporate cultures, and quicker and more affordable contemporary routes to high performance organisations (Coulson-Thomas, 2012a and b). One of the latter - performance support - can also be used to enable customers to take more informed and sustainable decisions.

Costly options are still championed by vested interests, such as consulting firms that benefit from their adoption by supporting their implementation. Insecure boards hear about the many other corporations that are initiating a variety of complex and single issue programmes and feel that they should do likewise. More confident directors reject such blandishments to conform and follow the herd. They think for themselves and select cheaper options that quickly achieve multiple objectives.

The forthcoming world congress in Bangalore provides an opportunity for business leaders to reassess the basic building blocks of total quality. In relation to sustainable quality and sustainable strategies certain elements such as relevance, flexibility and affordability have become more important. For adaptation and evolution to occur, people need to be helped to responsibly innovate and cope with change. Solutions and initiatives need to be affordable in monetary, resource and environmental terms.

At the IOD's London Convention 2012 Lt Gen Ahluwalia pointed out that corporate boards and mankind face a set of challenges unprecedented in human history. He called for flexibility and adaptability in adjusting to change. This brings us back to the quality of corporate direction and the new leadership and governance that is required. Smart boards understand what they can do and what they cannot do. They recognise that simply producing plans, and putting the right structures and command and control systems in place will not provide the flexibility and adaptability that is required.

New leadership recognises that the priorities and focus of directors need to change (Coulson-Thomas, 2012a and b). Less emphasis on top-down motivation, direction and monitoring is required, and more attention should be devoted to engaging people - including customers - and helping them to adapt, cope and excel. In place of rhetoric and exhortation, people in front-line jobs should be provided with the performance support to do what is required to benefit themselves, their companies and the planet.

When investors and potential business partners set out to assess the quality of a corporate board, perhaps they should look first at the quality of the supporting environment and tools which the board puts in place to enable people to emulate their highest performing peers when understanding and addressing complex issues. If quality, policy, regulatory, technical and other checks are built into the support provided people can also be set free and enabled to bespoke responses and innovate.

Increasingly, as businesses achieve global reach, boards have to engage and support international communities and networks of relationships. For a quality support environment, guidance and assistance should be made available 24/7 whenever and wherever required, including when people are at home or on the move. It should impact directly upon conduct irrespective of culture and structure, enable behaviour that is sought and prevent outcomes that could lead to undesired consequences.

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